

COMPUTER ASSISTED FINANCIAL AID

DISBURSEMENT AND LOAN COLLECTION

Larry K. Miller

The costs of attending an institution of higher learning have increased tremendously since the inception of federal financial aids programs. For example, at Washington State University the average expense for a student to attend school for one year was in 1958 approximately \$963. The cost for the same student during the 1973-74 academic year was approximately \$2,875. During this same period of time, financial aid awards at WSU excluding short-term emergency loans have increased from approximately \$133,940 in 1958 to \$2,663,433 for the 1973-74 academic school year. In addition to this, over 2,000 students were granted short-term, emergency loans during the 1973-74 school year.

As a result of growing enrollment, higher costs to attend college, increasing financial aid monies available, and greater demand for that money, administration of funds has become more complex. Not only has it become more difficult to control disbursement of funds to students, but it has also become increasingly important to have proper audits, controls, and procedures for collecting loans which were made to students. These audits, controls, and procedures must be, at a minimum, in accordance with governmental regulations.

All of the many complexities mentioned above (more money, more students, additional aid programs, increasing governmental regulations and reporting requirements) have made manual financial aid operations, of any significant size, nearly impossible to manage effectively.



Larry Miller is currently Manager of Administrative Systems Support at Washington State University. Previously a systems analyst responsible for design and project leadership of the WSU student loan/financial aid system, Mr. Miller has extensive systems experience in the areas of student records, student accounts, and personnel. He recently served as a leader of interest sessions on computers at the annual meetings of the Western Association of Student Financial Aid Administrators (WASFAA).

Therefore many universities and colleges have turned to the computer, seeking assistance from it with the administration of financial aid programs.

This article describes such an automated system, with the objective of providing its readers with some insight and ideas for developing or enhancing their own computer assisted systems.

The computer can be a very useful tool if the right attitude and approach is taken. If, when undertaking a computer assisted financial aid system, the following points are followed, you will have a higher probability of achieving your goals with fewer headaches:

- 1) The computer is a tool to assist you. Use it as a tool and not as some mysterious black box.
- 2) Make your needs known to the systems analysts and place your trust in them.
- 3) Remember the computer cannot solve all your problems — nor should it try. We want people systems not computer systems.
- 4) A computer assisted system will create some new problems for you, but it will solve far more than it creates.
- 5) Be realistic — approach your system development much the same way you would if you were building a new home for your family. Develop good plans, lay a good foundation, and begin building a room at a time. (As you get further into this article you will notice that we have nearly a complete “house”, but it was developed a little at a time over several years and we moved into one room while the others were being built.) As with a house, when you first move in, there will be problems but they can be solved with patience, cooperation, and work.
- 6) Probably most important — be involved and stay involved! Computer people are often afflicted with a machine love/hate complex, and you must bring them back to reality. Do not think you can start the snow ball rolling and expect it to expand perfectly without assistance. After all, it is your system and without your involvement, expect it to fail.
- 7) It will help if you remember this — People are slow, make errors but are intelligent; a computer is extremely fast, does not make errors, but has no intelligence. A computer was designed by people, built by people, and does only as it is programmed.

Now that I have laid the foundation for you to begin on your own system, this article is really about an actual computer assisted financial aid disbursement and loan collection system. The characters in this real life story are the star FAS (financial aid system), SAS (student accounts system), and SIS (student information system). Development took several years and it is continuously being modified as regulations change.

• In brief summary, functions of FAS are as follows:

1. Controls and reports funds requested by students through the student Financial Aids Office.
2. Controls and reports funds offered to the student by the Financial Aids Office.
3. Reports funds disbursed to the students from the Financial Aids Office through the Student Accounting Section of the Controller's Office.
4. Controls transfer of funds to SAS which automatically writes financial aid checks to the students after all tuition, fees, and other charges have been taken out.
5. Prepares fiscal year-end statistics as required by the federal government.
6. Performs loan collection process according to governmental regulations.
7. Provides internal audit control of monies disbursed and monies collected.

Financial aid programs specifically accounted for in the system are National Direct Student Loans (NDSL); Health, Education and Welfare (HEW) loans and scholarships for students in Pharmacy, Nursing, and Veterinary Medicine; Supplemental Education Opportunity Grants; Basic Educational Opportunity Grants; College Work Study jobs; Federally Insured Student Loans; scholarships of all types including state need grants, BIA and NRO; tuition and fee waivers, Law Enforcement Education Program grants and loans, and WSU short-term emergency loans.

All aid programs, except emergency short-term loans, pass through a four phase process — request, offer, authorization, and disbursement. The emergency, short-term loan program goes through an authorization phase and directly into disbursement. In addition to the above four phases, all loan programs have a repayment phase. The repayment phase prepares all billings for loan amounts due, generates statements for accounts in arrears on a monthly basis, records all cash receipts on account, and records receipt of all types of loan cancellations such as nursing, teacher, military, bankruptcy, death, and disability. The system also prepares reminder notices of ending deferments, student status, and grace period.

Narrative Flow of the System

The following is a brief narrative flow of the system from the time a student's application for financial aid is received, through to the time the loan is collected.

When a student financial aid application is received, it is matched with the Parents' Confidential Statement (PCS) or Student Financial Statement (SFS). If the PCS has not been received, the available data is input into FAS. After all information becomes available, the student's need is determined and an aid request transaction is input into FAS. This financial aid request transaction includes such information as parents' income, parents' contribution, financial need of the student, independent student's income, bud-

get category, and the ethnic origin of the student if known at the time. Once this information is posted to the FAS master file, the information is then available through an on-line terminal. This information also appears on a need analysis report which provides not only detailed information on aid that has been requested, offered and accepted, but also summarizes aid amounts committed by program type.

After the aid has been packaged and a determination has been made as to what financial aid programs are to be offered the student, the Financial Aid Office types an award and acceptance letter in triplicate. Copies 1 and 2 of the award and acceptance letter are mailed to the student. Copy 3 is input to FAS indicating what aid has been offered. After the offer is input to the system, the need analysis report and the terminal system reflect the current information of each student. The student, upon receipt of the award and acceptance letter, indicates on the face of the first copy what financial aid he either accepts or rejects and returns the letter to the Financial Aid Office. When the Financial Aid Office has received the award and acceptance letter with the student's indication of aid accepted, a financial aid acceptance authority is completed. All aid is authorized to the student for an entire year on this financial aid authority. The financial aid authority is then signed by the Financial Aid Officer and sent to the student accounting section of the Controller's Office where it is completed. (Completion includes such data as indicating signature of the note and providing the note number for supplemental amounts disbursed on the same note).

The Student Accounts Section then takes the completed authorities and submits them to the Data Processing Office where they are keypunched and input to FAS. After the authorities have been input, the information is reflected on the need analysis report and is available via the terminal.

If a student has loan funds coming and has not signed the note, the financial aid authority is input to the system without the signature. When the student appears at the Student Accounts window to sign the note for that semester's disbursement, the fourth copy of the financial aid authority is input to the financial aid system indicating that the note has now been signed for the current semester's release.

The funds are disbursed to the student by way of the student accounts system. Funds are transferred to SAS from FAS only when the student loan officer authorizes a release. Aid released includes scholarships for the current semester, all other types of aid of a non-loan variety, and all loan amounts for which the note has been signed.

STUDENT ACCOUNTS AND REGISTRATION PROCESS

Students register at Washington State University using a computer-assisted registration system. Over a three day period, all students complete course request cards for the course in which they would like to be enrolled. Then in a period of a few hours, all course sectioning is performed. The course sections data are passed to the student accounts system where a billing is calculated for the registration fees applicable, the students are enrolled, receive their aid, and are provided a combined class schedule and billing statement. The student accounts system bills for several different fees and in-

cludes such things as resident tuition, non-resident tuition, part time fees, dependent allowances, allowances for teaching assistantships, allowances for Vietnam veterans, special class fees and others. The student accounts system will also assess charges for hospital coverage depending on what is requested by the student. SAS will charge for damage deposits and other claims input from various departments around campus. SAS will even notify the student of assignment of the damage deposit fees to payment for a year-book and then apply the fee at the end of the year. The student accounts system then takes all financial aid monies transferred to it by FAS, applies it to tuition and fees, hospital coverage, damage deposit, and other claims and writes a check to the student for any remaining amounts.

Registration and the student accounts billing process occur over a four day period with registration beginning on Wednesday morning. Students complete their registration by Friday afternoon. Registration process, pre-sectioning, and student accounts post-billing functions begin Friday evening and end early Saturday morning. The Registrar's staff then takes the student schedule statements showing the amount the student owes and the section of courses for which enrolled, and breaks them into alphabetical sequence for distribution early Sunday afternoon. The Student Accounts Office takes the checks, financial aid release control listing, the revenue reports, and other controlling reports generated by the system and balances the checks before they are distributed to the students.

Checks and students' schedule statements are then picked up by the students early Sunday afternoon. Classes start Monday morning, and at that time students have a bill for what they owe for enrollment, they have a schedule of all classes for which they have enrolled, and those with aid in excess of what they owe have their financial aid check.

This outlines the normal flow; however, there are instances that require special handling for students who appear on campus during registration, or even after registration has been completed, and who need financial aid assistance. In such instances the flow is essentially the same; however, it is expedited by coordination between the Financial Aids Office and the Student Accounts section. In such emergency situations, the student may not be able to wait for a week or two weeks before the next student accounts process writes a computer-generated check for the financial aid money. In such instances a manual check will be drawn on the student accounts system and handed directly to the student. When drawing a manual check, a transaction is input to the student accounts system indicating such a manual check was written. When the financial aid is processed normally and transfers to the student accounts system, the manual check offsets the financial aid amount.

STUDENT LOAN REPAYMENT

Because of stringent requirements imposed on the NDSL and HEW loan programs, the student loan repayment process has become very complex. The student loan financial aid system in operation at Washington State University handles all of the loan programs and conforms to the due diligence process as outlined by the federal government.

When a student establishes a date of graduation, an entry is made into the Registrar's graduations files. This entry indicates the expected date of graduation of the student. Three times a year — one month before the end of each semester and two weeks before the end of summer school — the student loan financial aid system is processed against the graduations file to identify the students who are about to graduate. For those students having NDSL or HEW loans outstanding, two copies of a repayment schedule are automatically generated, along with a mailing label containing their local address. Also printed is a listing of all repayment schedules generated.

The repayment schedules are mailed to the student while he or she is still on campus along with an exit interview questionnaire and a request to attend a group exit interview session. The students bring a signed copy of the repayment schedule to the exit interview where it and the exit interview questionnaire are collected by student loan personnel. For those borrowers not attending the exit interview, the letter sent with the repayment schedule and the exit interview questionnaire requests that a signed copy of the repayment schedule and the questionnaire be returned to the Student Loan Office.

Also, twice a year, after the start of each semester, the financial aids system file is passed against the Registrar's enrollment file. At this time all students who have loans outstanding and have left the university for reasons other than graduation, also have a repayment schedule and mailing label generated. The repayment schedule and exit interview questionnaire is then mailed to these students with a request to return one signed copy of the repayment schedule and the exit interview questionnaire.

The student loan financial aids system then places the recently exited student into grace status for a period of nine or twelve months depending upon the type of loan outstanding. Two months prior to the end of the borrower's grace period, a notice is automatically generated and mailed to the borrower indicating the end of the grace period. The borrower is requested to notify WSU of any change in status, such as deferment, return to school, or expected teaching year. If notification is not received, FAS automatically puts the borrower into repayment status.

Based on the anniversary date of the loan, the borrower will be sent a statement approximately fifteen to thirty days in advance of the due date. If payment is not received within thirty days of the due date, a thirty day past due notice is automatically generated and sent to the borrower. At this point the borrower also appears on an arrears listing and will remain on such a listing until the account becomes current.

If the borrower does not become current in 60, 90, or 120 days, a loan statement is automatically generated and mailed with a message that becomes more demanding at each billing.

At 120 days the borrower enters delinquency status and a personal letter is sent via registered mail indicating that the account will be given to a collection agency if not paid immediately. If there is still no response to this letter within 150-180 days, the account is referred to a collection agency.

The system receipts cash on account, automatically calculates principal and interest, and applies such to the borrower's loan balances. Loan cancellations received are verified for accuracy, and then input to the system where it automatically calculates the amount of the principal cancelled and the amount of the interest that is applicable to that particular cancellation. The system automatically keeps track of different eligibility amounts and calculates amount to be cancelled automatically. Cash on account and cancellations are controlled through the accounting section of the Controller's Office using the general ledger computer system for balancing.

SUMMARY

In summary, this system has the effect of controlling loan disbursements in that loan authorizations cannot be input without the request and offer first being input by the Financial Aid Office. And loan amounts cannot be disbursed by the Financial Aid Office without passing an authority through the Student Loan Office. Each office controls certain functions of the other.

In controlling these funds, several reports are produced such as the needs analysis report, a listing of all authorizations input, a financial aid journal showing a total aid package for a student, and the aid release listing of the money disbursed from the student loan financial aid system to the student accounts system. Other reports output from this system enable the financial aid officer and the student loan officer to complete their fiscal year-end operating report as required by the federal government.

Other reports output by the systems also enable the student loan personnel to maintain current track and status of loan accounts and arrears. Some of these reports show cash received on accounts in 120 day delinquency status and also cash received either from a collection agency or directly from the borrower. The financial aid terminal also provides total query capability to all information on the student loan financial aids master file, and terminal updating is currently being developed.

Approximately \$8,000,000 is being controlled for NDSL program, \$500,000 in short-term emergency loans, and over \$800,000 in the HEW loan program. All financial aid disbursements for an academic school year amount to about \$3-5,000,000. Over 12,000 students are on the student loan financial aids master file with approximately 4,000 students receiving some sort of financial aid assistance each academic school year. Computer cost to operate the system for one year amounts to approximately \$25,000 or roughly \$2 to \$3 per student on the file per year. This cost includes terminal hook-up, financial aid processing, all billing, and all special reports. Although this \$2 is averaged over all students it must be realized that some of the accounts are inactive such as those in deferment or grace. The actual computer cost and mailing cost to bill a student loan borrower for one month including forms is approximately 70 cents to \$1.00.